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Letter dated 12 February 2001 from the Chairman of the Security Council Committee established pursuant to resolution 1132 (1997) concerning Sierra Leone addressed to the President of the Security Council

On behalf of the Security Council Committee established pursuant to resolution 1132 (1997) concerning Sierra Leone, and further to my letters of 6 October and 4 December 2000 addressed to the President of the Security Council (S/2000/966; S/2000/1151), the Government of Sierra Leone, in compliance with paragraph 2 of resolution 1306 (2000), had submitted a note verbale with an enclosure containing a 90-day review of the new Certificate of Origin regime for trade in Sierra Leone diamonds (see annex and enclosure).

In this connection, and in accordance with paragraph 5 of Security Council resolution 1306 (2000), the Committee would appreciate it if the present letter, together with its annex and enclosure, could be brought to the attention of the members of the Security Council and issued as a document of the Security Council.

(*Signed*) Anwarul Karim **Chowdhury**
Chairman
Security Council Committee established pursuant to resolution 1132 (1997) concerning Sierra Leone

01-24784 (E) 130201

Annex

Note verbale dated 7 February 2001 from the Permanent Mission of Sierra Leone to the United Nations addressed to the Chairman of the Security Council Committee established pursuant to resolution 1332 (1997) concerning Sierra Leone

The Permanent Mission of the Republic of Sierra Leone to the United Nations presents its compliments to the Chairman of the Security Council Committee established pursuant to resolution 1132 (1997) concerning Sierra Leone, and has the honour to forward herewith a 90-day review of the new Certificate of Origin regime for trade in Sierra Leone diamonds prepared by the Government of Sierra Leone, in accordance with its commitment to facilitate implementation of the provision of Security Council resolution 1306 (2000).

Enclosure

GOVERNMENT OF SIERRA LEONE

Implementation of UN Security Council Resolution 1306 (2000) First Review of the new Certificate of Origin Regime for the Trade in Sierra Leone Diamonds

31 January 2001

A. Introduction

1. On July 5 2000, in compliance with Security Council resolution 1306 (2000), the Government of Sierra Leone suspended with immediate effect, all export of Sierra Leone diamonds, pending the establishment of an effective Certificate of Origin regime for its trade in diamonds. With the assistance of the High Diamond Council (HRD) of Belgium, the Governments of the United Kingdom, the United States and Belgium, the new regime was developed and put into operation on 12 October 2000. This assistance was consistent with paragraph 3 of resolution 1306 (2000). In addition to security printed certificates the new regime incorporates measures aimed at strengthening existing national regulations and guidelines in the mining sector. A description of the new regime is contained in document S/2000/1151, of 4 December 2000.

2. The Government of Sierra Leone had indicated in paragraph 15 of document S/2000/1151, that the new regime would be reviewed after a period of 90 days, and revised thereafter if necessary. In this regard, the following review, covering the period 12 October 2000, when the first parcels of diamonds were exported under the new system, and 31 January 2001, is being presented to the UN Sanctions Committee on Sierra Leone for its information.

B. Certificate of Origin

3. To date, thirty-four (34) Certificates of Origin printed by a reputable international security printer have been issued, and all the correspondent Import Confirmation Certificates have been returned to the Government Gold and Diamond Buying Office (GGDO). Digital photographs of rough diamonds presented to the GGDO for valuation now accompany all export diamond parcels. The digital photographs are transmitted electronically with the information contained in the certificate of origin for shipment.

C. Other Measures

4. Since the major objective of the Certificate of Origin regime is to end transactions in what have been described as *"conflict"* or *"blood"* diamonds, and consistent with its own effort to curb illicit mining and smuggling of its diamonds, the Government has updated and strengthened existing regulations and measures in the mining and marketing sectors. It has also revised related banking guidelines for diamond exports.

- *Mining*

5. The surveillance and monitoring of mining activities have been stepped up to ensure that only diamonds from non-conflict areas of the country are exported through the certification process. In this regard, the Ministry of Mineral Resources continues to make every effort to issue mining licences, and to ensure that no unauthorized mining takes place in any area under Government control. Winnings from these licensed areas are sold only to licensed diamond dealers or exporters. Field Officers - Mine Wardens and Monitors -- have been posted to remote villages to ensure strict compliance with the objectives of UN resolution 1306 (2000), so that conflict diamonds do not enter the legitimate channel. This close monitoring mechanism has had beneficial effects on revenue from mining licence fees. Moreover, a greater proportion of high quality gem diamonds which hitherto had been smuggled out of the country are now legally exported through the

GGDO, resulting in an appreciable increase in the value per carat of exported goods.

- ***Marketing***

6. The regulations relating to mining also apply to marketing. Diamond dealers and exporters should purchase diamonds only from licensed miners. This rule has been enforced by officials of the Ministry of Mineral Resources, through stringent checks in the field and at the GGDO at the time of export. Diamonds from conflict or questionable sources have not only been denied access into the legitimate channels, but are also confiscated to the Government. Since the adoption of resolution 1306 (2000) last July, a total of 294 (Two Hundred and Ninety-Four) carats of diamonds valued at $63,529 have been confiscated and sold by public tender to licensed exporters in a transparent manner. Forty per cent (40%) of the sale value were awarded to the informants.

7. In addition to confiscation of such diamonds, the courts impose on offenders on conviction, a fine not exceeding Le5million (Five Million Leones) or imprisonment for a term not exceeding three years or, both such fine and imprisonment.

8. The Government has also appointed an independent diamond Valuator at the GGDO to check the value of all parcels of diamonds presented for export, and to identify diamonds from Kono and Tongo, the main areas of RUF rebel mining operations, that may have slipped through the net during the field checks.

- ***Banking guidelines***

9. The Bank of Sierra Leone (the Central Bank), in consultation with the Ministry of Mineral Resources, has revised the banking guidelines for diamond exporters, and for accessing foreign or hard currency to ensure free convertibility. The operational and financial guidelines are annexed to the present document. Initial problems associated with banking procedures, especially those relating to the export of diamonds that had been

accumulated between 5 July and 12 October 2000, have been resolved. Officials of the Ministry of Mineral Resources and the Bank of Sierra Leone meet regularly to coordinate their respective responsibilities to ensure the smooth operation of the export procedures.

D. Contribution of the New Regime to Mining Community Development

10. Recognizing that the ultimate goal of the legitimate production and sale of the country's diamond resources is to benefit the people of Sierra Leone, and following the introduction of the new export procedures, the Government has created a Special Fund for the development of the communities directly affected by mining activities. Twenty-five (25%) of the export fees collected by Government will be paid directly into this Fund. The Fund will be controlled jointly by the authorities of the communities, the Ministries of Mineral Resources and Local Government and Rural Development.

11. The new policy is also intended to serve as a means of getting mining communities more involved in the monitoring of mining activities in their areas, and thus supplement the work of mining Field Officers.

12. It should be noted that the United States Government, through USAID, has confirmed its willingness to contribute seed money to the Fund to ensure that there are adequate financial resources to commence disbursement to beneficiary communities of the Fund.

E. Conclusions

13. At the end of the 90-day trial period, the new Sierra Leone Certificate of Origin regime could be described as a modest success. Although it is still in its infancy, the system has already demonstrated the potentiality of serving as a model for other national certification systems, particularly in other areas of conflict in Africa.

14. The certificate and control mechanisms installed in the GGDO, such as the electronic database on exports, with provisions for confirmation of destination, is gradually receiving the confidence of exporters and importers. The Government believes that improvements and adjustments of the system will be incorporated with the experience gained over time. For instance, while maintaining the procedure of having four signatories to the certificate, for administrative convenience any three signatures, including that of the Minister of Mineral Resources, will be valid. All importing authorities and other relevant institutions have been notified accordingly.

15. It is important to underscore the economic benefits that have been derived from the new Certificate of Origin regime. Since 12 October 2000, some 48,760 (Forty Eight Thousand Seven Hundred and Sixty) carats of diamonds valued at US$6.4 million (Six Million Four Hundred Thousand dollars) have been exported through the process.

16. Even at this initial stage of the operation, the conclusion could be reached that the new regime may have helped to reduce smuggling. In this regard, the Government has already seen positive and relatively significant effects on the economy of the war-torn country. For instance, the total value of diamonds exported in the year 2000 was over US$10 million, (Ten Million dollars) compared to US$1.5 million (One Million Five Hundred dollars) in 1999. The national currency, the Leone, has appreciated over the US dollar, from Le2, 500 in May 2000, to Le1, 500 in December 2000.

17. While the real impact of the new regime on curbing transactions in conflict diamonds from Sierra Leone remains to be fully assessed, indications are that conflict diamonds entering the legitimate channel have been minimal. This situation should change dramatically as the Government gains access to and control of the main diamond mining areas of the country. Meanwhile, the Government expects to see improvements in the identification and seizure of conflict diamonds by Field Officers, Community Monitoring Groups, GGDO officials, and the independent Valuator. The fact remains that the bulk of the production of Sierra Leone diamonds is still going through other routes. This is why the Government fully supports measures now before the Security Council concerning Liberia, based on the

recommendations of the UN Expert Panel on diamonds and the armed conflict in Sierra Leone.

18. Of course, the real success of the Certification regime and its impact on conflict diamonds will depend to a large extent on scrupulous implementation of resolution 1306 (2000) by all States, in particular the diamond importing States. The Government notes with satisfaction that a number of States, in fulfillment of their obligations under the relevant provisions of the resolution, have taken measures such as the promulgation of regulations and executive orders, to prohibit the direct and indirect import of all diamonds from Sierra Leone that are not certified by the Government of Sierra Leone. The establishment of an international certification system would also contribute to curbing the trade in conflict diamonds.

19. The Government recalls an example of the kind of vigilance that could be expected of all importing countries. Two parcels of diamonds authorized under the previous system were exported a few days before the adoption of resolution 1306 (2000). Belgian authorities impounded them on 6 July 2000 on the premise that their import was in violation of paragraph 1 of the resolution. The parcels were later released following investigations that determined that they had been legally exported before the adoption of the resolution.

20. It is important to stress that States, relevant United Nations bodies and other organizations and interested parties should be reminded of their obligation under paragraph 16 of resolution 1306 (2000), to report to the Committee on Sanctions information on possible violation of the measures imposed by paragraph 1 of the resolution.

21. Finally, the Sierra Leone Government wishes to reiterate its gratitude to the Governments of Belgium, the United Kingdom and the United States, as well as the HRD of Belgium for their invaluable assistance in the development of the Certificate of Origin regime. It expresses the hope that States, international organizations and the international diamond industry will continue to contribute to the further development, functioning and

improvement of the system, a contribution which should help end the almost ten-year armed conflict in Sierra Leone, and promote the economic and social well-being of its peoples.

22. A second review of the Certification of Origin regime will be submitted to the Committee on Sanctions in due course.

Annexure 1

BANKING GUIDELINES DIAMOND EXPORTERS

1. Residents and non-residents are allowed to finance their diamond operations in Sierra Leone in United States Dollars, in notes, drafts, or bank transfers.

2. Diamond Exporters shall ensure that the inflows of United States Dollars in Sierra Leone for their transactions are channeled throught the banking system or where dollar notes are carried by the Exporters such notes shall be declared at the point of Entry into Sierra Leone together with certification from the remitting bank.

3. United States Dollars notes brought in by the Exporter shall be lodged with certification at any of the commercial banks for their use.

4. On a quarterly basis, commercial banks will be required to submit to the Bank of Sierra Leone returns on the the inflows and outflows in respect of each licensed exporter.

5. The list of commercial banks in Sierra Leone at any point in time would be obtained from the bank of Sierra Leone.

Annexure 2

OPERATIONAL FINANCIAL GUIDELINES
GOVERNMENT DIAMOND TRANSACTIONS

"Payment for any diamond purchases shall be made in United States Dollars brought into Sierra Leone through banking channels or if, in notes, declared at the point of entry into Sierra Leone by the Exporter and lodged with certification at any Commercial bank for his use, and he shall be entitled to repatriate any unused balance of such dollars." (Agreement form dated 4th December, 2000 between the Government and would-be Exporters)

To effect the above, Diamond Exporters shall ensure that the inflows of United States Dollars for their transactions are channelled through Commercial banks in Sierra Leone.

Foreign exchange could be brought into Sierra Leone in any of the following ways:-

1. *Letter of Credit*
2. *Telegraphic Transfer*
3. *Cash Dollar Note*

1. ***Inward Letter of Credit*** - the receiving Commercial bank in Sierra Leone would be required to produce two copies of the L.C. - one to be submitted to the International Finance Department of the Bank of Sierra Leone for processing and another to be attached to the Certificate of Origin.

2. ***Telegraphic Transfers*** - the receiving Commercial bank would be required to confirm by letter receipt of funds. One copy of the letter to be submitted to the International Finance Department of the Bank of Sierra Leone for processing and the other attached to the Certificate of Origin.

3. ***Cash Dollar Notes*** - the receiving Commercial bank should be informed by the remitting bank abroad through a tested telex message of the

incoming funds. Incoming funds should also be supported with certification issued by the remitting bank. United States Dollars notes brought in by the Exporter shall be lodged with certification issued by the remitting bank at any of the Commercial banks for their use. Commercial banks would be required to issue two certificates, one to be submitted to the International Finance Department of the Bank of Sierra Leone for processing and another to be attached to the Certification of Origin.

Diamond Exporters will be allowed to export up to the amount of funds confirmed by the commercial banks as brought in.

BANK OF SIERRA LEONE
DECEMBER 12, 2000